



DATE:

**REPORT TO: WATER AND WASTE PORTFOLIO COMMITTEE**

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**1. ITEM NUMBER : WW 08/06/20**

**2. SUBJECT**

**WATER & WASTE MONTHLY FINANCIAL PROGRESS REPORT (FEBRUARY 2020)**

**ONDERWERP  
MAANDELIKSE FINANSIËLE VORDERINGSVERSLAG VAN WATER EN  
AFVALDIENSTE (FEBRUARIE 2020)**

**ISIHLOKO  
INGXELO YENKQUBELA-PHAMBILI YARHOQO NGENYANGA YEENGXELO  
ZEMALI KWIINKONZO ZAMANZI NEZENKUNKUMA (FEBUWARI 2020)**

**3. DELEGATED AUTHORITY**

In terms of delegation

This report is FOR NOTING BY

- Committee name** : Water and Waste
- The Executive Mayor together with the Mayoral Committee (MAYCO)
- Council

**4. DISCUSSION**

<b>Glossary</b>	
CRR	Capital Replacement Reserve
CGD	Capital Grants and Donations
EFF	External Financing Fund
PCER	Progressive Capital Expenditure Report
R&M	Repairs & Maintenance
WS	Water & Sanitation
SW	Solid Waste
NWP	New Water Plan/Programme
W&W	Water & Waste
PMU	Project Management Unit
W&W	Water & Waste

Making progress possible. Together.

YTD	Year To Date
IDP	Integrated Development Plan
USDG	Urban Settlement Development Grant
IDA	Incremental Development Area
BICL	Bulk Infrastructure Consolidated Levy

The Water and Waste (W&W) directorate consists of two departments namely, Water & Sanitation and Solid Waste Management.

In total, the directorate constitutes the largest share of the City of Cape Town's capital budget as well as the operating budget. With more than 500 cost centres and a combined staff establishment of approximately 8000, managing the financial aspects of the directorates in accordance with relevant pieces of legislation and policies is a challenging exercise, the greatest challenge being monitoring of adherence and consistency of application while ensuring maximum expenditure in service delivery aspects of these two departments.

Performance figures as at the end of February 2020 and the budgets of the services within the directorate are given for the committee members to ascertain adequacy to meet the IDP targets set.

## **Capital Expenditure Report**

### **W&W Directorate Capital expenditure**

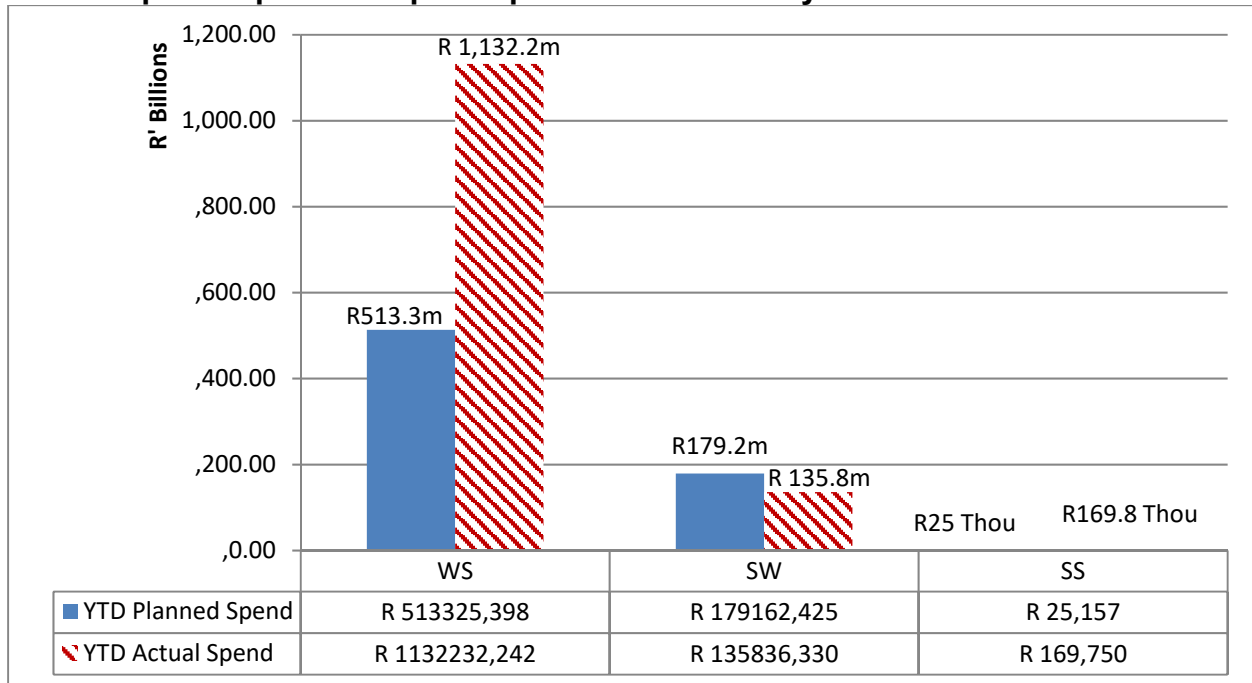
The directorate's approved January adjustment budget for 2019/20 financial year is R2.784 billion. At the end of the February 2020, the directorate achieved an actual implementation of 45.5% (R1,268 billion) above the planned spend of 24.9% (R692,5 million).

### **W&W Capital Expenditure - February 2020**

Department/Directorate	2019/20 Current Budget R	YTD Planned Spend R	YTD Actual Spend R	% YTD Planned Spend of Current Budget	% YTD Actual Spend of Current Budget
Water & Sanitation	2,336,355,059	513,325,398	1,132,232,242	22.0%	48.5%
<i>Water &amp; Sanitation</i>	<i>1,701,775,025</i>	<i>462,651,001</i>	<i>773,986,146</i>	<i>27.2%</i>	<i>45.5%</i>
<i>New Water Plan</i>	<i>634,580,034</i>	<i>50,674,397</i>	<i>358,246,097</i>	<i>8.0%</i>	<i>56.5%</i>
Solid Waste Management	447,555,953	179,162,425	135,836,330	40.0%	30.4%
Support Services	397,951	25,157	169,750	6.3%	42.7%
<b>WW</b>	<b>2,784,308,963</b>	<b>692,512,980</b>	<b>1,268,238,323</b>	<b>24.9%</b>	<b>45.5%</b>
<b>WW excluding New Water Plan</b>	<b>2,149,728,929</b>	<b>641,838,583</b>	<b>909,992,226</b>	<b>29.9%</b>	<b>42.3%</b>

The New Water Plan is continuously being assessed by the department to ensure optimisation of value in providing water security.

## W&W Capital Expenditure per Department – February 2020

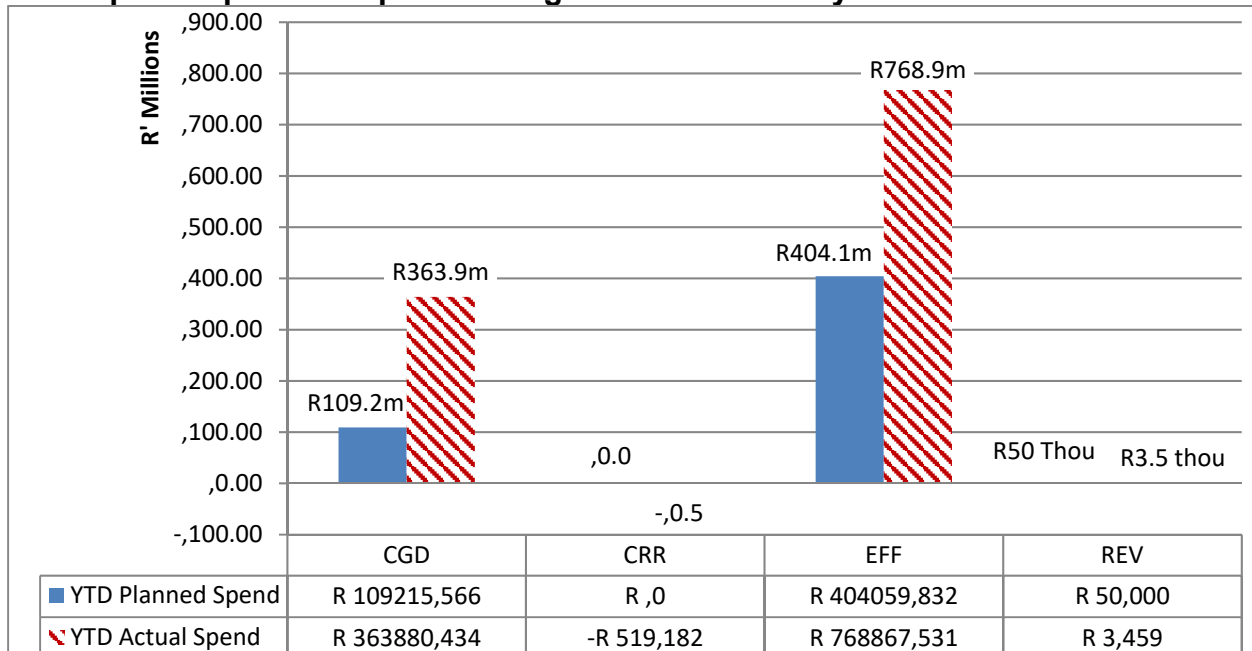


### Analysis per department:

#### Water & Sanitation

The department's approved budget for the year is R2.784 billion. For the period under review, the department has actualised 48.5% (R1.132 billion) above its planned expenditure of 22% (R513.3 million). The reasons for major (over/under) expenditure variances are addressed in the February 2020 PCER (Annexures: A).

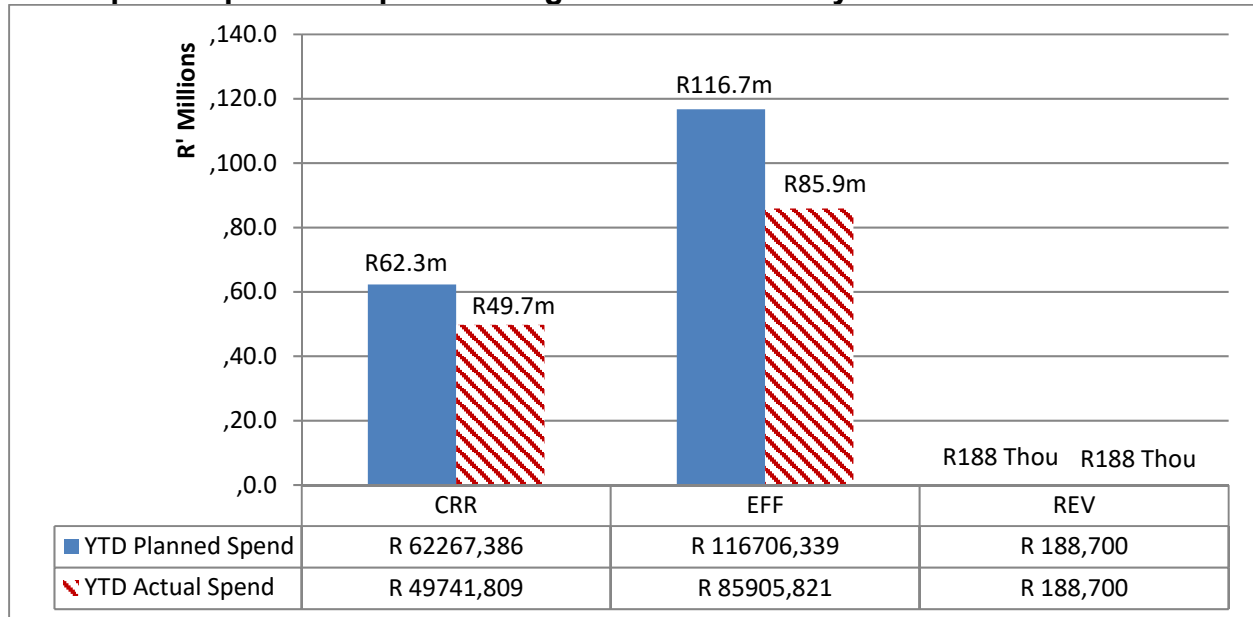
## WS Capital Expenditure per Funding source – February 2020



## Solid Waste Management

The department's current approved budget for the year is R447.6 million. Against its planned target of 40% (R179 million), the department has realised 30.4% (R135,8 million). The reasons for major (over/under) expenditure variances are addressed in the attached February 2020 PCER (Annexures: B).

### SW Capital Expenditure per Funding source – February 2020



## Operating Expenditure and Revenue Report

### a) W&W Directorate Operating Budget: Expenditure

The directorate's total Operating Budget expenditure at end of February is R8.42 billion. SWM year to date expenditure is R2.22 billion and W&S R6.20 billion.

Department/Directorate	2019/120 Current Budget (A)	YTD Budget (B)	YTD Actual (C)	% YTD Actual =C/B
Water & Sanitation	R10,014,502,757	R5,857,462,646	R6,204,166,265	105.9%
Solid Waste Management	R3,799,231,491	R2,210,673,784	R2,216,929,399	100.3%
<b>W&amp;W</b>	<b>R13,815,994,627</b>	<b>R8,069,532,969</b>	<b>R8,421,161,164</b>	<b>104.4%</b>

The directorate's actual expenditure recorded is above the target of between 95% and 100% of YTD planned.

The variance is a combination of over/under expenditure. Variance linked to:

- **Salaries Wages and Allowances** - the turnaround time in filling of vacancies and the impact of the internal filling of vacant posts. The directorate (W&W) has 1058 vacancies (SW 285, SS 1, PMU 10 & W&S 762) out of 8634 staff establishment as at 29 February 2020. As at end February, the filled positions in the directorate were

85.26% of the total staff establishments. As at the beginning of the 2019/20 financial year, W&W has made 445 appointments of which 252 were internal appointments. For the same period there were 242 terminations.

- Debt Impairment (over), where the period budget provision for the Contribution to Debtors Working Capital Provision (Bad Debt Provision) is not aligned to the actual monthly posting.
- Bulk Purchases – Water (over): combination of under/over mainly on:
  - Raw water (over), where the National Department of Water and Sanitation submitted a large number of invoices for payment;
  - Bulk water levy (under), where accounts are paid one month in arrears;
  - Bulk water – Desalination (over), due to an increase in invoices for the two temporary desalination plants; and
  - Bulk purchase - Water reclamation (over), where electricity and chemical-related costs were erroneously included in invoices received.
- Materials Consumables Tools & Equipment (under), due to fewer refuse containers needing to be replaced.
- Contracted Services (under), combination of under/over, mainly on:
  - Waste Minimisation (over), where expenditure relating to haulage was incorrectly booked to this element;
  - Haulage (under), due to the incorrect booking of expenditure to the waste minimisation element;
  - R&M Contracted Serv Building (over), where more projects were completed than initially anticipated resulting in misalignment of the actual expenditure with period budget provisions;
  - Refuse Removal (over), where waste removal costs were higher than anticipated;
  - Administrative and Support Staff (under), where fewer than anticipated Labour Broker staff were appointed;
  - Sludge removal (under), where the slower waste water flow resulted in lower volumes of sludge;
  - R&M Maintenance of Equipment (under), where the replacement of older vehicles resulted in less than planned repairs on vehicles;
  - Meter Management (under), where actual expenditure is misaligned with the planned budget, and fewer C3 notifications received; and
  - Sewerage Services (under), where outstanding invoices for informal settlements must still to be processed.
- Other Expenditure (under), combination of under/over mainly on:
  - a) Hire of LDV, P/Van, Bus, Special Vehicle (over), due to emergencies and pond cleaning;
  - b) Water Research Levy (under), due to an outstanding invoice; and
  - c) Electricity (under), due to outstanding invoices for the Monwabisi temporary desalination plant. Remedial or Corrective steps to be undertaken by departments to address abovementioned variances.

Remedial or Corrective steps to be undertaken by departments to address abovementioned variances.

The directorate has 1274 vacancies in various stages of the recruitment and selection process; 445 vacancies were filled and 242 posts were terminated since the beginning of the financial year.

Virements will be processed and periodic budget provisions will be reviewed and adjusted in line with actual trends

**b) W&W Directorate Operating Budget: Revenue**

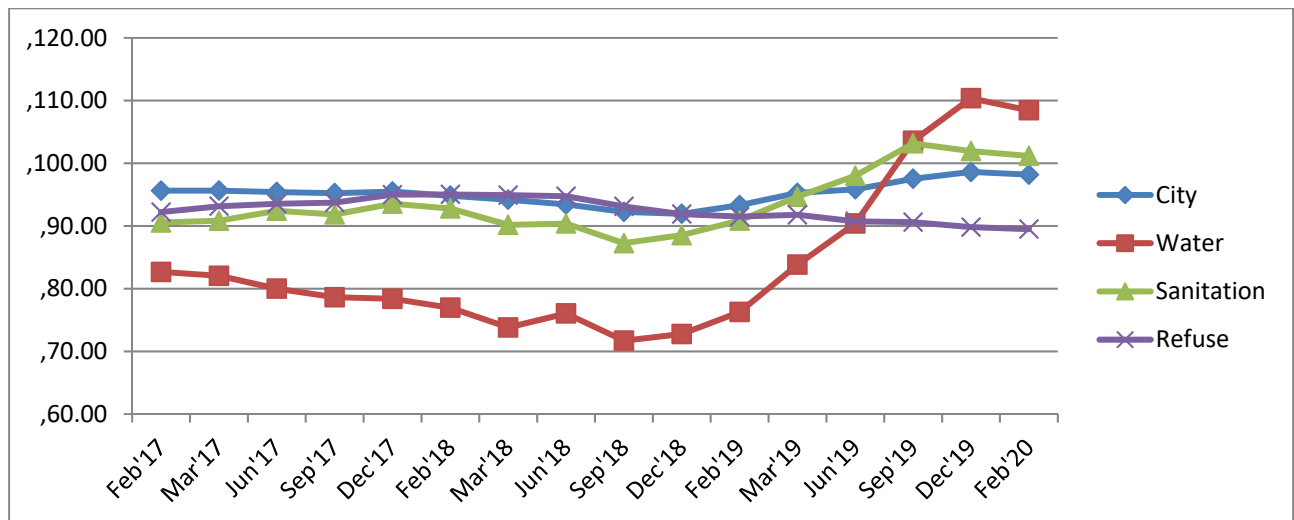
Collection ratios per department:

	Sep-19	Oct-19	Nov-19	Dec-19	Jan-20	Feb-20
<b>City</b>	97.54%	97.84%	97.63%	98.62%	97.99%	98.19%
<b>Water</b>						
12 Months Collection ratio	103.59%	105.56%	115.15%	110.37%	109.66%	108.46%
<b>Sewerage</b>						
12 Months Collection ratio	103.18%	104.26%	103.27%	101.95%	104.70%	101.18%
<b>Refuse</b>						
12 Months Collection ratio	90.61%	90.29%	89.92%	89.81%	89.55%	89.49%

The percentages quoted above are reported on a 12-month rolling period. The fluctuation is attributed to the method of calculating the 12 months moving average as well as economic climate.

Note: The water crisis has a huge impact on the water collection ratio.

	Feb'17	Mar'17	Jun'17	Sep'17	Dec'17	Feb'18	Mar'18	Jun'18	Sep'18	Dec'18	Feb'19	Mar'19	Jun'19	Sep'19	Dec'19	Feb'20
	%															
City	95.64	95.65	95.42	95.24	95.49	94.83	94.19	93.44	92.25	91.95	93.32	95.28	95.85	97.54	98.62	98.19
Water	82.67	82.06	80.00	78.64	78.38	76.96	73.81	76.05	71.70	72.77	76.28	83.83	90.40	103.59	110.37	108.46
Sanitation	90.56	90.83	92.43	91.85	93.56	92.79	90.18	90.39	87.26	88.54	90.86	94.66	98.01	103.18	101.95	101.18
Refuse	92.22	93.15	93.55	93.73	94.99	95.03	94.92	94.74	93.12	91.89	91.50	91.78	90.75	90.61	89.81	89.49



It must be noted that there is a continuous drive to reduce the water consumptions, which led to higher billings on indigent and water leaks project properties with a municipal valuation of R400 000 and less, and to appropriately deal with the debts on these accounts. Due to this, the collection ratios were calculated both by including and excluding all the related adjustments as reported previously.

There are also still a number of valuation objections of GV 2018 and supplementary valuations objections, as well as appeals submitted to the independent Valuation Appeal Boards for property owners not satisfied with the outcome of the GV 2018 objections, that all still need to be addressed. These valuation objections have had an impact on the debtors' balance, as well as the collection ratios for rates and services. The Valuation Department is busy dealing with all these valuation objections.

Revenue recorded as at end of February 2020 is R9. 035 billion.

Department/Directorate	2019/20 Current Budget (A)	YTD Budget (B)	YTD Actual (C)	% YTD Actual =C/B
Water & Sanitation	R 9,880,456,005	R 6,181,995,012	R 6,492,345,458	105.02%
Solid Waste Management	R 3,799,231,494	R 2,519,722,852	R 2,542,833,371	100.92%
<b>W&amp;W</b>	<b>R 13,680,172,499</b>	<b>R 8,701,922,864</b>	<b>R 9,035,246,137</b>	<b>103.83%</b>

The variance is a combination of over/under expenditure. Variance linked to:

- Service charges - Water revenue (over) and Sanitation revenue (over). The 2019/20 anticipated revenue provisions were adjusted to be in line with the latest reduced consumption trends in the January 2020 adjustments budget. Consumer reaction to the warmer months is still being established.
- Service Charges - Refuse Revenue (over), due to more disposal coupons being sold for the disposal of waste.
- Other revenue (over), mainly on:
  - a) Development contribution levy, due to higher than planned development levies to date impacting on water, sewer and stormwater; and
  - b) By-product sales, due to an increase in the sale of by-products (timber) at Steenbras- and Wemmershoek dams.
- Interest on outstanding debtors (under), due to year-to-date actuals being less than anticipated.
- Transfers and subsidies - Capital (over), due to good contractor performance on certain projects.

Remedial or Corrective steps to be undertaken by departments:

Period budget provisions will be reviewed against actual trends and adjusted where necessary.

Financial Implications  None  Opex  Capex  
 Capex: New Projects  
 Capex: Existing projects requiring additional funding  
 Capex: Existing projects with no additional funding requirements

Policy and Strategy  Yes  No

Legislative Vetting  Yes  No

Legal Compliance

None

Staff Implications  Yes  No

Risk Implications  Yes  No

## 5. RECOMMENDATIONS

**It is recommended that the Portfolio Committee note the contents of this report.**

### AANBEVELINGS

**Daar word aanbeveel dat die portefeuljekomitee van die inhoud van hierdie verslag kennis neem.**



**IZINDULULO**

**Kundululwe ukuba iKomiti yeMicimbi yeSebe mayiqwalasele okuqulathwe kule ngxelo.**

**ANNEXURES**

Annexure A: PCER – WS (Major Variances)  
Annexure B: PCER – SWM (Major Variances)

**FOR FURTHER DETAILS CONTACT**

NAME	Themba Mabasa/Nomfundiso Ntunja	CONTACT NUMBER	400 1226/400 1921
E-MAIL ADDRESS	Themba.Mabasa@capetown.gov.za		
DIRECTORATE	W&W	FILE REF NO	
SIGNATURE : MANAGER			

## Approval Form

Supported for inclusion on the agenda



### WATER & WASTE MONTHLY FINANCIAL PROGRESS REPORT (FEBRUARY 2020)

**Report Reference:** 514749  
**Meeting:** Section 79 Portfolio Committee - Water and Waste  
**Meeting Date:** 02.04.2020  
**Meeting Venue:** Committee Room D  
  
**Contact Person:** NOMFUNDISO NTUNJA  
**Contact Telephone:** 4001921  
**Contact Email:** NOMFUNDISO@CAPRTOWN.GOV.ZA

Item	Section	Approver	Approval	Approved Date	Approver Comments
01	Author	Thembha Churchill Mabasa	Approved	16.03.2020 16:58:29	
02	Director	Nqobile Damane	Approved	16.03.2020 17:33:47	
03	Executive Director	Michael John Webster	Approved	17.03.2020 08:06:43	
04	Legal Compliance	Joan Mari Holt	Approved with Comments	19.03.2020 15:20:21	For information.

**ECS Officer:**

## PROGRESSIVE CAPITAL EXPENDITURE REPORT - FEBRUARY 2020 - WATER &amp; SANITATION

Annexure A

## Major Variances (Positive &amp; Negative)

IM Dir	WBS Element	WBS Element Description	Major Fund	Current Budget	YTD Planned Spend	YTD Actual Spend	YTD Variance	Commitments	Anticipated Exp	Comments	Responsible Person
A08	CPX.0004868-F1	Treated Effluent: Reuse & Inf Upgr FY20	EFF	25,000,000	25,000,000	15,117,658	-9,882,342	9,776,695	25,000,000	Multi-funded Project. Project progressing well on most of the portions. Most approvals are available except a portion that is on the M5 where confirmation is still required and a portion next to a railway line which requires a permit to work.	Collin Mubadiro
A08	CPX.0005677-F1	Informal Settlement Sanitation Install FY20	EFF	5,588,331	5,588,331	0	-5,588,331	0	5,588,331	Multi-funded project: Tender 296Q/2016/17 (Period Tender for Plumbing and related Maintenance and Repairs at the City of Cape Town Existing Informal Settlement Ablution Facilities (Citywide) Tender has been awarded and contract has been released by SCM. 016G/2016/17 Supply and delivery of portable flush toilet units for Informal Settlements City wide. Active contract. Due to previous delays experienced with the award of tender 296Q, project implementation will be accelerated.	Taka Mudondo
A08	CPX.0004932-F1	Vehicles, Plant Equip: Additional FY20	EFF	52,500,000	38,488,456	33,541,633	-4,946,823	9,413,054	52,500,000	Some vehicles were delivered later than anticipated. Further orders have been placed; awaiting delivery.	Peter Powell
A08	CPX.0010234-F2	Replace Water Network (City Wide) FY20	CGD	4,900,000	4,900,000	0	-4,900,000	0	4,900,000	Multi-funded project. The project consist of various upgrades of the network city-wide of which the majority the contractors are ahead of schedule due to good performance.	Abraham Smit
A08	CPX.0007929-F2	Zandvliet WWTW: Prim Treatment & Sludge	CGD	121,015,000	0	35,813,531	35,813,531	0	121,015,000	Multi-funded project: Project is ahead of schedule due to good contractor performance. All contracts are in the execution phase and the project is progressing in accordance with the latest approved programme..	Rajan Moodley
A08	CPX.0007929-F3	Zandvliet WWTW: Prim Treatment & Sludge	EFF	211,426,270	33,523,815	120,059,693	86,535,878	0	211,426,270	Multi-funded project: Project is ahead of schedule due to good contractor performance. All contracts are in the execution phase and the project is progressing in accordance with the latest approved programme.	Rajan Moodley
A08	CPX.0016654-F1	Table Mountain Group Aquifer	EFF	220,000,000	0	95,604,306	95,604,306	0	220,000,000	Multi-project WBS element. Project ahead of schedule due to the good contractor performance.	Kevin Balfour
A08	CPX.0010520-F7	Cape Flats Aquifer	CGD	199,589,306	30,000,000	176,207,431	146,207,431	0	199,589,306	Multi-project WBS element. Project ahead of schedule due to good project management and general performance. 51 of 52 exploration boreholes, 53 of 57 monitoring boreholes, 60 of 89 production	Kevin Balfour

## PROGRESSIVE CAPITAL EXPENDITURE REPORT - FEBRUARY 2020 - SOLID WASTE

Annexure B

## Major Variances (Positive &amp; Negative)

IM Dir	WBS Element	WBS Element Description	Major Fund	Current Budget	YTD Planned Spend	YTD Actual Spend	YTD Variance	Commitments	Anticipated Exp	Comments	Responsible Person
A08	CPX.0004467-F1	Plant & Vehicles: Replacement FY20	CRR	40,000,000	20,920,287	9,765,838	-11,154,449	16,342,230	40,000,000	Multi-funded project. The project is on schedule and in execution phase. Orders were placed in August 2019 for long lead time vehicles. Following up with the vendor on the delay on vehicles that should have been delivered. It is anticipated that all vehicles will be delivered by financial year end.	Shaun Christian
A08	CPX.0009994-F2	Scottsdale Depot Upgrade	EFF	26,936,596	15,820,304	7,573,883	-8,246,421	0	26,936,596	Construction was anticipated to be complete by May 2020. Contractor is currently behind schedule and the SCM process is underway to ensure that the contractor complies with the conditions of the award. It is anticipated that the contract may have to be extended to the end of November 2020 to allow the contractor to complete the project. Construction commenced from May 2019 initially delayed as a result of outstanding guarantees, construction permits and building plans approval.	Alan Lindgren
A08	CPX.0007910-F2	Coastal Park:Design and develop (MRF)	EFF	37,500,000	14,235,483	8,596,974	-5,638,509	0	37,500,000	Bulk earthmoving works is currently underway with anticipated completion date June 2020. Awaiting latest outstanding invoice from vendor for work completed. Project manager following up with the contractor.	Alan Lindgren
A08	CPX.0014108-F1	Plant & Vehicles: Replacement FY20 COL	CRR	80,000,000	28,290,404	24,278,890	-4,011,514	891,705	80,000,000	This large size project is for the purchase of vehicles for Solid Waste Management Collections. The project is on schedule and in execution phase. Orders have been placed. Following up with the vendors on the slight delay on deliveries.	Shaun Christian
A08	CPX.0015238-F2	Kommetjie Drop-off Upgrade Waste Min	EFF	14,418,561	12,206,709	9,507,848	-2,698,861	0	14,418,561	Construction is underway and anticipated to be completed by May 2020. Contractor requested a reduction of the CPG target due to the events that hampered the EPWP appointments. Awaiting outstanding invoice for work completed. Project manager following-up on the outstanding invoice.	Alan Lindgren
A08	CPX.0014071-F2	CBD Depot Upgrade	EFF	5,414,610	2,062,737	36,368	-2,026,369	0	5,414,610	Multi-year project. Construction tender was advertised from 28 June 2019 and closed 30 July 2019. Anticipated construction to start mid-April 2020. Currently preparing the WPCD, that is to be submitted in March 2020. Delay as a result of additional clarifications and BEC meetings required.	Alan Lindgren
A08	CPX.0008982-F2	Kuils River Depot Upgrade	EFF	12,111,208	8,438,524	10,938,078	2,499,554	0	12,111,208	The tender number for construction is 129Q/2018/19. Construction has commenced and is anticipated to be complete by April 2020.	Alan Lindgren
A08	CPX.0014114-F1	Plant & Vehicles: Replacement FY20 DISP	CRR	20,000,000	0	2,714,262	2,714,262	0	20,000,000	Orders have been placed; smaller vehicles are being delivered ahead of schedule	Shaun Christian